

MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES

NOTICE OF PROPOSED POLICY

Public Act 280 of 1939, as amended, and consultation guidelines for Medicaid policy provide an opportunity to review proposed changes in Medicaid policies and procedures.

Please review the policy summary and the attached materials that describe the specific changes being proposed. Let us know why you support the change or oppose the change.

Submit your comments to the analyst by the due date specified. Your comments must be received by the due date to be considered for the final policy bulletin.

Thank you for participating in the consultation process.



Director, Program Policy Division
Bureau of Medicaid Policy, Operations, and Actuarial Services

Project Number:	2205-Hospital	Comments Due:	April 14, 2022	Proposed Effective Date:	As Indicated
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Mail Comments to: Carly Todd

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Policy Subject: Disproportionate Share Hospital (DSH) Process Consolidation

Affected Programs: Medicaid, Healthy Michigan Plan

Distribution: Hospitals

Policy Summary: The purpose of this policy is to consolidate the DSH process into two steps. MDHHS will eliminate the interim settlement step of the existing DSH process to complete the final DSH calculation with greater timeliness and accuracy.

Purpose: Merging steps of the current DSH process will reduce the amount of data processed by the department and would prevent timing issues with the audit overlapping with ongoing DSH calculations.

Proposed Policy Draft

Michigan Department of Health and Human Services
Health and Aging Services Administration

Distribution: Hospitals

Issued: May 1, 2022 (Proposed)

Subject: Disproportionate Share Hospital (DSH) Process Consolidation

Effective: As Indicated (Proposed)

Programs Affected: Medicaid, Healthy Michigan Plan

NOTE: Implementation of this policy is contingent upon State Plan Amendment approval from the Centers for Medicare & Medicaid Services (CMS).

The DSH process is designed to mitigate DSH audit-related recoveries. It is a multiple-step process that allows hospitals to provide input into the DSH calculations, decline DSH funds, and reduce their DSH ceiling. The purpose of this policy is to consolidate the DSH process into two steps. Upon State Plan approval, the Michigan Department of Health and Human Services (MDHHS) will remove the interim settlement step of the existing DSH process to complete the final DSH calculation with greater timeliness and accuracy. The methodology of the Step 1 DSH initial calculation will remain unchanged. The final DSH settlement will now occur at the Step 2 Final DSH Audit Settlement stage. Contingent upon CMS approval, the new DSH process will begin for any DSH year that has not yet undergone Step 2 completion.

Step 2 Final DSH Audit Settlement

DSH limits, DSH payments and Medicaid utilization rates are recalculated during the final DSH settlement step. DSH funds will be reallocated in the following manner:

1. Institute for Mental Disease Pool
2. \$45 Million Pool
3. Outpatient Uncompensated Care DSH Pool
4. University with Both a College of Allopathic Medicine and a College of Osteopathic Medicine Pool (University Pool)
5. Government Provider DSH Pool (GP DSH Pool)
6. Unspent funds not applicable to Step 1

MDHHS will recalculate hospital-specific DSH limits, DSH payment allocations and Medicaid utilization rates upon completion of the DSH audit for the applicable DSH year. Inpatient and outpatient cost and payment data utilized from Step 1 will be refreshed to account for any cost

report changes that occurred between steps during the cost report acceptance process. DSH limits and Medicaid utilization rates will be calculated using the final DSH audit.

Upon completion of the calculations for the first five pools outlined in the order above, any remaining unspent federal DSH allotment will be distributed through a new pool. The remaining allotment will be distributed to all remaining eligible hospitals proportionately based on their share of remaining audited hospital-specific DSH limit capacity adjusted to exclude the DSH payment amounts hospitals received from the university and GP DSH pools. No hospital will receive an allocation in excess of its remaining audited hospital-specific DSH limit capacity or other federal limits. The formulas to distribute these funds are as follows:

- a.
$$\frac{(\text{Eligible Hospital's Remaining Audited DSH Limit Capacity} + \text{University DSH Payment Amount} + \text{GP DSH Payment Amount})}{(\sum \text{ of All Eligible Hospitals' Audited Remaining DSH Limit Capacity} + \text{University DSH Payment Amount} + \text{GP DSH Payment Amount})} = (\text{Hospital Pool Factor})$$
- b.
$$(\text{Hospital Pool Factor}) \times (\text{Pool Amount}) = \text{Pool Payment}$$